City of Rocklin

2006-07 Property Tax Summary

The City of Rocklin experienced a net taxable value increase of 10.8% for the 2006-07 tax roll, which was somewhat lower than the increase experienced countywide at 16.5%. The assessed value increase between 2005-06 and 2006-07 was $648 million. The growth attributed to the Assessor granted 2% CPI adjustment was $120 million, which accounted for 19% of all growth experienced in the City.

The largest assessed value increase was reported on an industrial parcel owned by United Natural Foods (1101 Sunset Blvd.). The property, which transferred ownership in 2005, was reassessed last year adding $10.2 million to the roll. The sale and subsequent reappraisal of a 115 acre vacant parcel (Orchard Creek Investors LLC), increased the enrolled value by $7.6 million. Recent development of a commercial property at 6815 Lonetree Blvd., (Lakha Properties-Rocklin LLC) added $5.9 million to the tax rolls. This property will be reassessed at a higher value next year, resulting from a $30,250,000 sale on 03/31/2006.

The largest decline in value ($14 million) was reported on a parcel owned by The Gap Inc. at 695 Menlo Drive. The reduction resulted from an Assessor audit in 2005 which concluded that the fixtures and personal property at the site were not properly assessed. A roll correction to retroactively adjust the 2005-06 values and tax bill will likely be processed in this fiscal year. Eight properties owned by Brightstar Golf were granted assessment appeals reductions, lowering the value on those parcels by $20 million.

In the past several years, favorable interest rates and strong demand for housing have pushed property values higher. However, sales of single family residential properties throughout the region are slowing and prices have begun to level off. The median sale price of a single family home in Rocklin from January through August 2006 was $484,000. This represents a $1,000 (0.2%) decrease in value from 2005.

Triple Flip/VLF Payment Dates

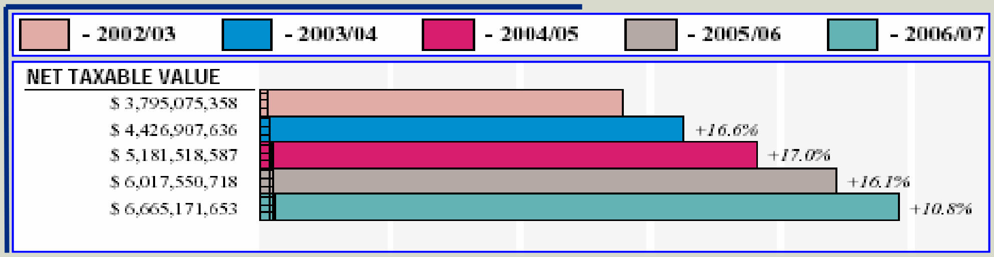
- Triple Flip Payments (sales tax in-lieu payments) are due to City from County ERAF account on or before January 31st and May 1st annually during the life of the State issued revenue recovery bonds. A true-up payment is to be made on or before the January 31, 2007 for the 2005-06 FY.
- VLF in lieu payments to City from the County ERAF account will be paid on or before January 31st and May 31st. This revenue source grows by gross assessed property values between tax years.
- Supplemental property tax VLF in lieu payments from the County ERAF account have been significantly higher than projected in many cities. We expect these revenues to flatten out considerably as the real estate market weakens.

2006-07 Tax Shift Summary

ERAF I & II	2,243.913
RDA ERAF	0
VLFAA (est.)	3,531,777

To County ERAF
From County ERAF

2002/03 to 2006/07 City Growth Summary



Top 10 Property Taxpayers

	Owner	Revenue	% of City/RDA
1.	Sierrapine	354,895	2.86
2.	Meagher Trust	119,400	0.96
3.	Ken & Martha Hofmann Trust	119,074	0.96
4.	Rocklin Pavilions	110,616	0.89
5.	Demmon Meridian Partners	107,121	0.86
6.	Sierra Lakes Community	92,084	0.74
7.	Douglas Hanzlick	91,961	0.74
8.	Sunset Ranchos Investors	90,300	0.73
9.	Rocklin Crossings	89,243	0.72
10.	K Mart Corporation	78,645	0.63
	Total	$1,253,340	10.08%

Real Estate Data

Summary of Sacramento Area Counties

All Homes	Units Sold July-05	Units Sold July-06	Percentage Change	Median Price July-05	Median Price July-06	Percentage Change
Butte	393	262	-33.30%	$280K	$294K	5.20%
Merced	648	341	-47.40%	$340K	$369K	8.50%
Placer	1,053	638	-39.40%	$495K	$470K	-5.10%
Sacramento	3,468	1,979	-42.90%	$380K	$360K	-5.30%
Stanislaus	1,235	701	-43.20%	$365K	$373K	2.20%
Sutter	205	123	-40.00%	$306K	$282K	-7.90%
Yolo	381	250	-34.40%	$460K	$433K	-6.00%
Yuba	242	119	-50.80%	$318K	$320K	0.60%

Source: Dataquick Information Systems

Housing Market Update

California cities are cautioned to take a conservative approach to projecting 2007-08 property tax revenues. At the least, double digit growth cannot be expected to continue, and areas that experienced rapid growth in the last two years may see some declines in value.

Most real estate and mortgage experts are projecting home appreciation rates, which had been running at a double-digit annual pace, to return to a more normal 3% to 5% range. In markets that have experienced soaring price increases for a number of years or a high percentage of speculative investors and second homes purchased during the housing peak, there is a good chance that home values will decline. Regions with significant condominium conversions and new condominium development are also vulnerable to valuation declines.

The number of assessment appeals filed by property owners has dropped significantly in recent years. Los Angeles County recently reported that the total number of appeals filed in 2005 was 12,000. That's down from a high of 109,900 appeals filed in 1996. While this is good news for California cities, we can expect that assessment appeals activity will increase as the market cools.

Cities with a significant number of properties that have not transferred ownership since 1978 (Proposition 13) will be somewhat insulated from the downturn in the market. The assessed values for these properties are so far below today's market values that they will not qualify for assessment appeals reductions. In addition, communities with large numbers of pre-Prop 13 parcels will continue to enjoy growth when these properties transfer ownership and are reassessed at current market values.